

STATE OF CALIFORNIA

Public Utilities Commission
San Francisco

M e m o r a n d u m

Date: June 4, 2002

To: The Commission
(Meeting of June 6, 2002)

From: Bill Julian
Office of Governmental Affairs (OGA) — Sacramento

Subject: **AB 2523 (Canciamilla)** – Electrical corporations: rates.

As Amended May 16, 2002

Recommendation: Oppose

Summary: This bill directs the California Public Utilities Commission (Commission) to reduce the rates authorized in D.01-05-064 for each rate class, rate schedule and rate option in the same proportion as the classes, schedules or options were increased by that Decision, if the Commission decides that rate decreases are appropriate for any reason. This requirement sunsets on January 1, 2006.

Analysis:

AB 2523 is intended to articulate the principle that those customers who received the largest rate increases when the commission raised rates in March 2001 to reflect the energy crisis should receive the largest rate decreases when the commission begins to moderate rates. As written the bill attempts to prescribe specific proportional rate reductions that inflexibly micromanage the rate setting process and defeat the policies of the Legislature and the commission to promote conservation.

In D.01-05-064 the Commission applied a 3 cents per kilowatt hour energy surcharge approved on March 27, 2001 to customer rate schedules to recover the revenue requirements estimated at that time for the Department of Water Resources (DWR). That order required the commission to navigate among a number of considerations – (1) the need to recover an average of 3 cents per delivered kilowatt hour on an annual basis over a period of nine months, since the rates approved in the order would not actually appear in customer bills until June billing cycles even though the rates had been approved at the end of March; (2) the legislative determination that residential usage below 130 % of baseline allowances be spared increased rates and that rate

design promote conservation; (3) the Commission's determinations that CARE customers be spared increases and that rates be steeply tiered to promote conservation; (4) the concern that agricultural customers facing heavy summertime water pumping usage be spared potentially crippling cost increases. The result was that percentage increases for some customers, customer classes, rate schedules and rate options varied widely in ways that were not always predictable in every case.

Comments:

This bill would require that the Commission use the same percentages when adjusting rates downward that resulted from the mix of considerations that influenced the Commission in its original order. Mandating that future ratemaking be constrained to use the outcomes of the highly contingent commission decision in D.01-05-064 is an unreasonable restraint on the ability of the commission to establish just and reasonable rates.

Contact: Bill Julian, Legislative Director bj2@cpuc.ca.gov
CPUC- OGA (916) 327-1407

Date: May 31, 2002

BJ:nas

Attachment

BILL LANGUAGE:

BILL NUMBER: AB 2523 AMENDED
BILL TEXT

AMENDED IN ASSEMBLY MAY 16, 2002

INTRODUCED BY Assembly Member Canciamilla

FEBRUARY 21, 2002

An act to add ~~Sections 367.2 and~~ and
repeal Section 367.3 to the Public Utilities Code, relating to
public utilities.

LEGISLATIVE COUNSEL'S DIGEST

AB 2523, as amended, Canciamilla. Electrical corporations:
rates.

Existing law authorizes the Public Utilities Commission to
establish rates for public utilities, including electrical
corporations.

This bill would require the commission , until January 1,
2006, to ~~establish, for the accounting purposes of the~~
~~electrical corporations, the Ratepayer Benefit Account with separate~~
~~accounts for each electrical corporation that serves more than~~
~~100,000 customers in the state. The bill would require that all~~
~~funds recovered by an electrical corporation from any litigation or~~
~~agreement relative to the charging, either directly or indirectly, of~~
~~excessive costs for power by electric power generators, suppliers,~~
~~and marketers, and excessive costs for natural gas charged either~~
~~directly or indirectly, to natural gas suppliers or marketers for~~
~~periods ending January 18, 2001, to be credited to the account. The~~
~~bill would require the commission to require the electrical~~
~~corporation to allocate moneys credited to a subaccount to ratepayers~~
~~as a rate refund when the subaccount exceeds an amount over~~
~~\$10,000,000. The bill would also require the commission to impose a~~
~~rate reduction for designated customers, if the commission determines~~
~~that the revenue requirement of an electrical corporation should be~~
~~reduced~~ ensure that any rate reduction for the retail
customer classes of the electrical corporation, and to the rate
schedules and rate options within those classes, occurs in the same
proportion as the percentage rate increases by class, rate schedule,
and rate option that were adopted in the commission's Decision
01-05-064, as amended or modified . Because under the Public
Utilities Act, a violation of an order of the commission is a crime,
the bill would impose a state-mandated local program by expanding the
definition of a crime.

The California Constitution requires the state to reimburse local
agencies and school districts for certain costs mandated by the
state. Statutory provisions establish procedures for making that
reimbursement.

This bill would provide that no reimbursement is required by this
act for a specified reason.

Vote: majority. Appropriation: no. Fiscal committee: yes.
State-mandated local program: yes.

THE PEOPLE OF THE STATE OF CALIFORNIA DO ENACT AS FOLLOWS:

~~SECTION 1. Section 367.2 is added to the Public Utilities~~

SECTION 1. Section 367.3 is added to the Public Utilities Code, to read:

367.3. (a) If the commission determines that an electrical corporation's rates, authorized by the commission's Decision 01-05-064, as amended or modified, to recover the electrical corporation's and the Department of Water Resources' power procurement costs, should be reduced for any reason consistent with this code, the commission shall ensure that the rate reduction for the retail customer classes of the electrical corporation, and to the rate schedules and rate options within those classes, occurs in the same proportion as the percentage rate increases by class, rate schedule, and rate option that were adopted in Decision 01-05-064, as amended or modified.

(b) This section shall remain in effect only until January 1, 2006, and as of that date is repealed, unless a later enacted statute, that is enacted before January 1, 2006, deletes or extends that date. ~~Code, to read:~~

~~367.2. (a) The commission shall, for the accounting purposes of the electrical corporations, establish a Ratepayer Benefit Account with a separate subaccount for each electrical corporation serving more than 100,000 customers in the state.~~

~~(b) The funds credited to an electrical corporation's subaccount shall be all funds recovered by an electrical corporation resulting from any state or federal litigation or regulatory agreement relative to the charging, either directly or indirectly, of excessive costs for power by electric power generators, suppliers, and marketers and excessive costs for natural gas charged either directly or indirectly by natural gas suppliers or marketers, for periods ending January 18, 2001.~~

~~(c) Whenever the total funds credited to a subaccount of the Ratepayer Benefit Account for an electrical corporation exceed ten million dollars (\$10,000,000), the commission shall require the electrical corporation to allocate the money credited to the Ratepayer Benefit Account subaccount to all customers in the form of rate refunds. The refunds shall be allocated among the several retail customer classes of ratepayers of the electrical corporation in the same proportion as the class percentage rate increases that were adopted in the commission's Decision Number 01-05-064.~~

~~SEC. 2. Section 367.3 is added to the Public Utilities Code, to read:~~

~~367.3. If the commission determines that the revenue requirement of an electrical corporation should be reduced, consistent with this code, the commission shall impose a corresponding rate reduction to allocate the amount of the revenue requirement reduction among each retail customer class of ratepayers of the electrical corporation in the same proportion as the class percentage rate increases that were adopted in the commission's Decision Number 01-05-064.~~

~~SEC. 3.~~

SEC. 2. No reimbursement is required by this act pursuant to Section 6 of Article XIII B of the California Constitution because the only costs that may be incurred by a local agency or school district will be incurred because this act creates a new crime or infraction, eliminates a crime or infraction, or changes the penalty

for a crime or infraction, within the meaning of Section 17556 of the Government Code, or changes the definition of a crime within the meaning of Section 6 of Article XIII B of the California Constitution.